

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

<b>The Universal Telephone Assistance Corporation</b>	:	
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<b>Petition for Determination of the Amount and Form of Supplemental Assistance to be provided by Local Exchange Telecommunications Carriers, Pursuant to 83 Ill. Adm. Code 757.200(b).</b>	:	<b>10-0417</b>
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**ORDER**

By the Commission:

On June 29, 2010, the Universal Telephone Assistance Corporation ("UTAC") filed a petition pursuant to 83 Ill. Adm. Code Part 757.200(b), "Telephone Assistance Programs" ("Part 757"), requesting that the Illinois Commerce Commission ("Commission") determine the amount and form of supplemental assistance to be provided by Illinois local exchange carriers ("LEC") to each eligible subscriber or eligible new subscriber under the Universal Telephone Service Assistance Program ("UTSAP"). Specifically, UTAC requests that the Commission issue an order (i) determining that UTSAP continue to provide connection fee assistance to eligible new subscribers in the amount of up to \$12, but not to exceed 50% of the total connection charge; (ii) authorizing eligible telecommunications carriers to continue to pass through to their qualified low income customers the full amount (\$1.75) of federal "Tier Two" support, pursuant to 47 C.F.R. §54.403(a)(2); (iii) finding that Illinois operates a statutorily-mandated telephone assistance program, the UTSAP, which provides state support for the federal Lifeline/Link-Up program; (iv) finding that any LEC with current tariffs that reflect the supplemental assistance benefit listed in (i) above shall not be required to file new tariffs; and (v) requiring any LEC whose tariffs do not reflect the current connection fee benefit to file, within 15 days and without further notice, a tariff that reflects the connection fee benefit to become effective upon filing. Attached to the petition are Schedule 1.0 - Chronology of Commission Supplemental Assistance Orders, Schedule 2.0 - Illinois Participation in Federal Lifeline Program By Year, Schedule 3.0 - UTSAP Supplemental Installation Waivers By Year, Schedule 4.0 - UTSAP Financial Performance, June 1, 2009 - May 31, 2010, and Schedule 5.0 - UTSAP Contributions, Income, and Fund Balance Over Time. Also accompanying the petition is the testimony of Allen Cherry, President of the UTAC Board.

No hearing was held in this matter. Barbara Lankford, Program Coordinator in the Commission's Consumer Services Division, submitted a Verified Statement stating

that Staff had no objection to the petition and saw no reason why the Commission should not grant the requested relief. No petitions to intervene were received.

All Illinois LECs are members of UTAC, a not-for-profit corporation formed pursuant to the requirements of Section 757.215. The formation of UTAC and its organizational documents were approved by the Commission in Docket No. 93-0067. UTAC remains subject to the Commission's jurisdiction. The principal purpose of UTAC is to carry out the provisions of Sections 13-301 and 13-301.1 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., as implemented by Subpart C of Part 757.

Section 757.200(b) requires that UTAC, as the UTSAP Administrator, file annual petitions with the Commission, "requesting the Commission to determine the amount of supplemental assistance, if any, the LECs shall provide each eligible new subscriber or eligible subscriber" under UTSAP. Section 757.200(b) also requires UTAC, under Section 757.215(e)(5), to assess total UTSAP costs and revenues and to petition the Commission to recommend changes in the waiver amounts, establishment of new UTSAP programs, or discontinuance of existing programs. The assistance to be provided under UTSAP is supplemental to the assistance provided under the federal Link-Up and Lifeline programs, pursuant to Subparts B and E of Part 757.

Under the federal Lifeline and Link-Up programs, eligible low-income telephone subscribers of eligible telecommunications carriers currently receive a one-time connection fee waiver of 50% (up to \$30.00) and a monthly credit equal to \$1.75 plus their federal subscriber line charge. By federal regulation, subscriber line charges can not exceed \$6.50. Currently, most Illinois subscribers have subscriber line charges of \$4.95 to \$6.50. Customers are eligible for federal assistance and supplemental state assistance if they participate in any one of the following programs: Medicaid, Food Stamps, Supplemental Security Income, Federal Public Housing, Low Income Home Energy Assistance Program, Temporary Assistance to Needy Families Program, or the National School Lunch's free lunch program.

Section 757.200(c) establishes three mechanisms by which carriers, through UTSAP, may provide assistance or supplement the assistance provided to low income residents under the federal Link-Up and Lifeline programs. The Commission may order that assistance through UTSAP be made by means of (1) a waiver of initial telephone service installation charges for eligible new subscribers, which, in the case of eligible telecommunications carriers, is in addition to the 50% waiver (up to \$30.00) provided under the federal Link-Up program; (2) a waiver of all or part of the local exchange service obligation (i.e., monthly bills for local exchange telephone service) of eligible subscribers or eligible new subscribers, which, in the case of eligible telecommunications carriers, is in the form of state support for the federal Lifeline program; or (3) a combination of (1) and (2).

Mr. Cherry's testimony describes in detail the chronological history of the benefits offered to low-income telephone subscribers under UTSAP. Since its inception in 1993, the UTSAP has consistently offered a one-time waiver of a portion of the

connection fee to eligible new telephone subscribers in Illinois. The amount of this supplemental connection assistance has varied from \$6.00 in 1993 to 50% of the customer's installation charge from 1998 to 2002. Since September 2007, the supplemental connection fee waiver has been set at up to \$12.00, not to exceed 50% of the carrier's connection fee (up to \$30.00). A partial connection fee waiver was left in place to encourage eligible low-income customers to subscribe to telephone service. Between October 1999 and December 2003, the UTSAP fund was also able to provide a supplemental monthly credit on telephone bills of \$1.50 and later \$1.20, both augmented by federal matching funds of 50%. Monthly UTSAP supplemental assistance was terminated at the end of 2003 at the recommendation of UTAC in Docket No. 03-0418.

All funding for UTSAP comes from voluntary contributions from customers of carriers. The carriers solicit and collect contributions, and report and transfer these amounts to UTAC. The carriers also report to UTAC any costs they have incurred that are directly related to administration of the program, which they are entitled to recover from UTSAP contributions. As of April 30, 2010, contributors numbered approximately 33,900, down from 41,800 the previous year. Mr. Cherry testified that, despite UTAC's continued publicity efforts, the number of contributors and the dollar amount of contributions has declined steadily since 2001. Interest on the fund has not offset the steady decline in contributors and contributions. Schedule 4.0 attached to Mr. Cherry's testimony tracks UTSAP's financial performance for June 1, 2009 through May 31, 2010, while Schedule 5.0 shows monthly UTSAP contributions, income, and fund balance as of May 31, 2010.

As of May 31, 2010, the UTSAP fund balance was approximately \$1,019,000, compared to its fund balance of approximately \$1,029,000 on May 31, 2009. For the period June 2009 through May 2010, UTSAP's total monthly expenses, including installation waivers and routine administrative and public relations expenses, averaged approximately \$39,300, as compared to \$48,750 in average monthly expenses for the period June 2008 through May 2009. Average monthly contributions as of May 31, 2010 equaled \$36,650, compared to \$75,800 as of May 31, 2002.

Participation in the Link-Up and UTSAP supplemental installation waiver program decreased in 2009 to 40,374 customers, down from 45,463 customers in 2008. Participation levels in the 2009 Lifeline program were 97,542, compared to 104,970 in 2008 and 109,617 in 2007. Schedule 2.0 attached to Mr. Cherry's testimony shows the growth of the Lifeline program since 1999 and Schedule 3.0 shows the growth of Link-Up and the UTSAP supplemental connection fee waiver since 2000.

UTAC has attempted to remedy this slump in contributions and program participation by continuing to focus its publicity resources on the dual goals of increasing contributions and informing potential customers of the benefits available through Lifeline, Link-Up, and UTSAP supplemental assistance. UTAC's annual publicity projects include, but are not limited to, information placed in the carriers' telephone directories, telephone bill inserts that encourage contributions, and general

distribution of news releases statewide. Bill inserts about the low-income universal service programs have been and will be mailed to the six million existing phone customers by all local phone companies in both 2009 and 2010. In addition, UTAC maintains a web site at [www.linkupillinois.org](http://www.linkupillinois.org). The UTAC web site and UTAC information have also been added to the DuPage County Community Resource Information System, C.R.I.S.

Mr. Cherry testifies further that in early 2009, in consultation with Commission Staff, UTAC amended its agreement for the provision of publicity services with its vendor, Filson-Gordon Associates, in order to increase modestly the compensation available for basic publicity services. At the same time, however, UTAC acknowledges that the amendment decreased by the same amount the compensation available for occasional, optional publicity services. In January of 2009 and 2010, UTAC distributed letters about the Link-Up, Lifeline, and UTSAP programs to relevant municipal, state and federal government entities. UTAC followed up this letter by distributing bilingual (English/Spanish) brochures to towns and villages that requested them. In June of 2009, UTAC targeted librarians, as they serve a key role in disseminating information of interest to their customers and the communities they serve. UTAC also placed an article about the UTSAP in the electronic newsletter prepared by the Illinois Library Association and circulated to its members. During the spring and summer of 2010, UTAC is contacting Big Brothers/Big Sisters programs to explain the programs and to provide brochures for their staff to hand out to prospective clients. UTAC also drafted a proclamation, tailored to Illinois, to commemorate Lifeline Awareness Week. The Governor signed the proclamation in September 2009. In the view of the UTAC Board of Directors, these specific publicity campaigns are likely to promote program participation at a minimum cost, and help increase UTSAP contributions.

UTAC reports that the UTSAP fund maintained a positive cash flow from 2004 to 2007. For the period of June 1, 2007 through May 31, 2008, the UTSAP fund decreased by approximately \$2,000 per month. For the period of June 1, 2008 through May 31, 2009, the UTSAP fund decreased by approximately \$2,300 per month. For the period of June 1, 2009 through May 31, 2010, the UTSAP fund decreased by approximately \$650 per month. Despite the decreases, however, UTAC calculates that because of the cushion it has built by maintaining positive cash flow in the past, it can afford to continue the current connection fee benefit until the next annual filing in July 2011. UTAC adds that if the Commission approves its petition to maintain UTSAP benefits at current levels, it would not be necessary for LECs to file new tariffs as long as a tariff is on file reflecting the existing benefits. The Commission's order should also authorize eligible telecommunications carriers to continue federal "Tier Two" support (\$1.75) to qualified low-income customers. The order should also expressly find that since UTSAP is a statutorily mandated telephone assistance program providing state support to the federal Lifeline/Link-Up program, Illinois is not a federal default state.

The Commission, having considered the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) the Commission has jurisdiction over UTAC, its member Illinois LECs, and over the subject matter herein;
- (2) the recitals of fact and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (3) Illinois operates a statutorily mandated telephone assistance program, UTSAP, which provides state support to the federal Lifeline/Link-Up programs, and as such is not a federal default state;
- (4) the amount of Illinois UTSAP supplemental assistance applied to the telephone installation charge for eligible subscribers and eligible new subscribers of eligible telecommunications carriers should be the lesser of \$12.00 or 50% of the carrier's total connection charge (up to \$30.00);
- (5) the amount of Illinois UTSAP supplemental assistance applied to the telephone installation charge for eligible new subscribers of non-eligible telecommunications carriers should be the lesser of \$12.00 or 50% of the carrier's total connection charge (up to \$30.00);
- (6) pursuant to 47 C.F.R. §54.403(a)(2), the Commission should approve continuation of a reduction in the amount paid by qualified Illinois customers of eligible telecommunications carriers of \$1.75 to ensure the continued availability of federal "Tier Two" Lifeline support;
- (7) LECs with current tariffs that reflect the supplemental assistance benefit described in Findings (4) and (5) above should not be required to file new tariffs; and
- (8) LECs whose current tariffs do not reflect the current connection fee benefit should file, within 15 days and without further notice, a tariff that reflects the connection fee benefit, to become effective upon filing.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that all eligible and non-eligible telecommunications carriers shall comply with Findings (4) and (5).

IT IS FURTHER ORDERED that, pursuant to 47 C.F.R. §54.403(a)(2), the amount paid by qualified Illinois subscribers of eligible telecommunications carriers shall continue to be reduced by \$1.75 to ensure the continued availability of federal "Tier Two" Lifeline funds.

IT IS FURTHER ORDERED that LECs with current tariffs that reflect the supplemental assistance benefit described in Findings (4) and (5) above shall not be required to file new tariffs.

IT IS FURTHER ORDERED that LECs whose current tariffs do not reflect the current connection fee benefit shall file, within 15 days and without further notice, a tariff that reflects the connection fee benefit, to become effective upon filing.

IT IS FURTHER ORDERED that a copy of this Order shall be served on all LECs.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 18<sup>th</sup> day of August, 2010.

(SIGNED) MANUAL FLORES

Acting Chairman